

Message Text

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ORIGIN AF-18

INFO OCT-01 EUR-25 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

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FM SECSTATE WASHDC

TO AMEMBASSY KIGALI

INFO USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EGEN

SUBJECT: WERTHEIM TEA INVESTMENT PROPOSAL

REF: US MISSION EC BRUSSELS 3220 (B) STATE 107635 (C)

US MISSION EC BRUSSELS 3576 (NOTAL)

1. SINCERE THANKS TO EC BRUSSELS FOR YOUR ADVISORY ON ARRIVAL OF VISSER. DESK OFFICER AND AID REP. DANIELLS HAD A GOOD CHAT CONCERNING WERTHEIM AND FED POLICY IN GENERAL. YOUR 3220 WAS VERY GOOD.
 2. VISSER REPEATED THAT IN THE LETTER OF INTENT, THE USE OF THE WORD "OPTION" INDICATED THAT IN EFFECT THE GOR HAD NO RECOURSE IF WERTHEIM WANTED TO CONTROL SALE OF RWANDAN TEA. HE FELT THAT WHILE IN HIS OPINION WERTHEIM WAS TRYING TO CASH IN ON PRIOR FED INVESTMENT IN CYHOHA-RUKERI, FED WOULD NOT OBJECT TO LETTER OF INTENT IF WERTHEIM CONTROL WAS LIMITED TO THE PRODUCTION OF THAT IMMEDIATE AREA. THE FED
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HOWEVER WOULD NOT PARTICIPATE IN OR PROVIDE FUNDING TO TEA

PROJECTS RESULTING IN A MONOPOLY SITUATION IN THE PRIVATE SECTOR. IF THE WORD "OPTION" WAS CHANGED TO "POSSIBILITY", IT WOULD BE MORE PALATABLE. HE HAD NO OBJECTION TO PRIVATE INVESTMENT BY ANYONE AND WOULD IN FACT ENCOURAGE IT, BUT NOT TO THE POINT OF THE FED SUPPORTING A PRIVATE MONOPOLY. VISSER POINTED OUT THAT SALES COMPANY ROLE COULD BE NEGATED IF WERTHEIM AS CONTROLLING AGENT IN SELLING WERE TO SELL TO WERTHEIM AS BUYER. THEREFORE WERTHEIM ROLE AS SELLER SHOULD BE AS LIMITED AS POSSIBLE.

3. VISSER SAID THAT IT IS SOP FOR THE FED TO DEMAND ACCESS TO ALL CONTRACTS BETWEEN GOVERNMENTS AND PRIVATE INVESTORS THAT CONCERN PROJECTS THEY ARE CONSIDERING FOR FUNDING. IF THE PRIOR CONTRACTS ARE NOT IN ACCORDANCE WITH FED OBJECTIVES IN FUNDING THE PROJECT, THE FED REQUESTS CHANGES. IF THE CHANGES CANNOT BE AGREED TO, THE FED DOES NOT DO THE PROJECT. THESE PROCEDURES ARE NOT AIMED AGAINST MR. WERTHEIM.

4. THE OTHER MAJOR POINT MADE BY VISSER AGAINST THE LETTER OF INTENT WAS THAT RIBANJE SIGNED IT. FIRST, HE DOES NOT TRUST RIBANJE. SECOND, RIBANJE DOES NOT HAVE THE AUTHORITY TO ENTER INTO THAT KIND OF AN AGREEMENT. HE FELT THAT OTHER GOR OFFICIALS MIGHT NOT WANT TO VOICE OBJECTIONS TO HIS SIGNING OF THIS AGREEMENT AS RIBANJE IS REPUTED TO HAVE THE EAR OF THE PRESIDENT, BUT FED WOULD NOT CONCUR WITHOUT THE SXPPLICIT AGREEMENT OF THE MIN OF AG. VISSER INFERRED THAT RIBANJE WAS NOT BEING ENTIRELY HONEST IN THE MANNER IN WHICH HE HANDLED THE AFFAIR.

5. FED'S VIEW, AS REPRESENTED BY VISSER, APPEARS SOMEWHAT PATERNALISTIC IN THAT THEY WANT TO PROTECT RWANDA FROM WERTHEIM'S PRESUMED AMBITIOUS SCHEME TO GAIN CONTROL OF TEA MARKETING, WHILE LACKING ANY CLEAR STRATEGY THEMSELVES FOR DEVELOPMENT OF RWANDA'S TEA INDUSTRY. ACCORDING VISSER, FED'S ORIGINAL PLAN WAS TO DRAIN SWAMPS AND ESTABLISH PL&NTATIONS BUT RELY ON GOR TO FIND OTHER SOURCES FINANCING FOR TEA FACTORIES. NO EFFORT MADE TO TRAIN RWANDANS IN TECHNICAL OR MANAGEMENT FUNCTIONS. DUE FAILURE GOR OBTAIN EXTERNAL FINANCING FOR CONSTRUCTION FACTORIES, AND IN ORDER PROTECT PREVIOUS FED INVESTMENTS CYOHOHA-RUKERI TEA PLANTATIONS, THEY NOW WILLING CONSIDER ASSISTANCE FOR FACTORY CONSTRUCTION AND ARE PREPARED LIMITED OFFICIAL USE

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DISCUSS JOINT FINANCING WITH CDC (BRITISH) AS PREFERABLE WERTHEIM PROPOSAL.

6. IN SUMMARY, WHILE THE FED DOES LIKE THE PROPOSAL BY WERTHEIM AS THEY FEEL HE IS TRYING TO GAIN MAXIMUM ADVANTAGE FROM MINIMUM INPUT, THEY WILL CONSIDER THE PROPOSAL IF WERTHEIM IS LIMITED TO THE CYOHOHA-RUKERI PROJECT. IT WOULD SEEM TO US THAT IF THE PROPOSAL IS ACCEPTABLE TO WERTHEIM AND THE GOR ON THIS MORE LIMITED

BASIS, THAT WOULD BE THE WAY TO HANDLE IT. SUGGEST KIGALI
ENCOURAGE GOR TO CONTACT WERTHEIM AND SPELL OUT THE
PROBLEM MAKING AN ALTERNATE SUGGESTION. KISSINGER

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